

Common Sense For Cleanups



**Pay For Performance
(PFP)**

PFP:

Common Sense For Cleanups



- **Buy Environmental *Results***
 - **Pay consultant/RP for reducing contamination**
 - **Pay as contamination levels go down**
- **Instead of buying services or time-and-materials**
- **\$\$ incentive for environmental success**

PFP Rewards Fast, Effective, Site Remediation



- Consultant gets paid as contamination-reductions reach pre-set milestone levels
- The faster the site remediation succeeds, the more the consultant can profit.
- *Would You "Work Smarter" to Succeed Faster, Knowing You Would Make More Money by Doing So?*

Benefits to Remediation Firm



- **Remediation firm designs and controls site remediation**
- **Reduced Regulatory & Fund approval**
- **Efficient, faster site remediation results in increased profits**
- **Milestone payments provide working capital**

Benefits to Remediation Firm (cont.)



- **Reduced reimbursement request paperwork**
- **Quicker payment (within 45 days)**
- **Potential marketing edge for firms that demonstrate ability for faster site remediation**

Benefits To Claimant



- **Property value restored faster**
- **Property marketability restored faster**
- **Quicker payments (within 45 days)**
- **Reduced reimbursement request paperwork**

Benefits To Regulatory Staff



- **Faster site remediation resulting in reduced work load**
- **Goals established and agreed to at the beginning of remediation**
- **Greater coordination between RP, Consultant, Regulator and Fund**
- **Remediation driven by profit motive rather than enforcement actions**
- **Consultant assumes more responsibility for project completion**

Benefits To Fund Staff



- **Reduced Pre-Approval and Reimbursement Request paperwork**
- **Shifts Fund focus from line item audits to evaluation of reasonable and necessary cost for total project**
- **Reduced work load**

Basic Parts Of A PFP Deal



- **A firm fixed price**
- **A time limit**
- **Remediation goals (intermediate or ultimate)**
- **Contamination-reduction payments**
- **Escape clauses**

What Is PFP In Reality?

Paying consultants for reducing contamination



- **Site characterization is completed before PFP**
- **Preliminary Active Remediation Goals (PARGs) and time frame are determined before remediation commences**
- **Firm fixed price set by negotiation or bidding**
- **Pay at remediation milestones**
- **No change orders, although escape clauses are available**

Escape Clauses



- **Escape clauses**

- faulty site assessment

- incursion of a plume from off-site

- new release

Identifying Sites To Start-Up A PFP Program



- **Convert flat-lined T&M sites to PFP**
 - Review current spending and environmental progress
 - Set price, time-limit, payment terms

- **Start new sites as PFP**
 - Site-assessment complete

- **Do free-product removal on PFP terms**

Effective and Encourages Alternative Technology



- **The Contractor Does Not Take Short Cuts**
 - The Entire Plume Is Remediated
 - Inferior Materials or Methods Are Not Used
 - The Technology or Method Is Effective
- **Gives Consultant Motivation for
Alternative Technology (with regulatory
approval)**

Example of Payment Schedule for \$100,000 Award:



Base Concentration:	10,000 ppb
Remediation Goal:	<u>- 500 ppb</u>
Contaminant Reduction:	9,500 ppb

40% Initial Money:	\$40,000 for System Startup
10% for 1/4 Reduction:	\$10,000 for reaching 7,625 ppb
10% for 1/2 Reduction:	\$10,000 for reaching 5,250 ppb
15% for 3/4 Reduction:	\$15,000 for reaching 2,875 ppb
15% Completion:	\$15,000 for reaching 500 ppb
10% No Rebound	\$10,000 for 4 qtrs. monitoring

Measurement of Results!!



- ① **Establish the baseline.**
- ② **Determine the endpoint.**
- ③ **Select key monitoring wells.**
- ④ **Specify perimeter wells.**
- ⑤ **Calculate milestones.**
- ⑥ **Provide for split sampling.**
- ⑦ **Provide for verification wells and borings.**
- ⑧ **Maintain remediation goal levels.**

Conclusion:



- PFP achieves environmental results faster
- Shift focus from “process” to “results”
- Does not affect environmental policy

For Additional Information



- **Bob Trommer (Regions 5, 7, 8 and 9)**
(916) 341-5684
btrommer@cwpswrcb.ca.gov
- **Dave Charter (Regions 1,2,3,4 and 6)**
(916) 341-5652
dcharter@cwpswrcb.ca.gov